

TOWNSHIP OF WHEATLAND
HILLSDALE COUNTY

AUDIT REPORT

MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Wheatland		County Hillsdale
Audit Date 3/31/04	Opinion Date 7/23/04	Date Accountant Report Submitted to State: 8/13/04		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Bailey, Hodshire & Company, P.C.			
Street Address 479 E Chicago Rd	City Jonesville	State MI	ZIP 49250
Accountant Signature Bailey, Hodshire & Company, P.C.			

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& Company, P.C.
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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Wheatland

We have audited the accompanying general purpose financial statements of the Township of Wheatland as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our examination did not include verification of the fund balances at April 1, 2003, therefore, we are unable to express an opinion on the accompanying statements of fund balance.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the April 1, 2003, fund balances, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Wheatland, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Wheatland. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
July 23, 2004

TOWNSHIP OF WHEATLAND
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	Governmental	Fiduciary	Account Group General	Total
	<u>Fund Type</u>	<u>Fund Type</u>	<u>Fixed</u>	<u>(Memo</u>
	<u>General</u>	<u>Agency</u>	<u>Assets</u>	<u>Only)</u>
ASSETS				
Cash	\$ 211,744	\$ 53,517	\$ 0	\$ 265,261
Taxes Receivable	15,804	0	0	15,804
Due From Other Funds	14,248	0	0	14,248
Due From Others	0	13,993	0	13,993
Land	0	0	4	4
Building and Improvements	0	0	47,784	47,784
Equipment	<u>0</u>	<u>0</u>	<u>10,603</u>	<u>10,603</u>
Total Assets	<u>\$ 241,796</u>	<u>\$ 67,510</u>	<u>\$ 58,391</u>	<u>\$ 367,697</u>
LIABILITIES				
Due to Other Funds	\$ 0	\$ 14,248	\$ 0	\$ 14,248
Due to Schools	<u>0</u>	<u>53,262</u>	<u>0</u>	<u>53,262</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 67,510</u>	<u>\$ 0</u>	<u>\$ 67,510</u>
FUND EQUITY				
Fund Balance	\$ 241,796	\$ 0	\$ 0	\$ 241,796
Investment in General				
Fixed Assets	<u>0</u>	<u>0</u>	<u>58,391</u>	<u>58,391</u>
Total Fund Equity	<u>\$ 241,796</u>	<u>\$ 0</u>	<u>\$ 58,391</u>	<u>\$ 300,187</u>
Total Liabilities and				
Fund Equity	<u>\$ 241,796</u>	<u>\$ 67,510</u>	<u>\$ 58,391</u>	<u>\$ 367,697</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WHEATLAND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Amended Budget	Actual	Over (Under) Budget
REVENUE			
Township Tax Levy	\$ 42,000	\$ 51,854	\$ 9,854
State Shared Revenue	95,476	90,606	(4,870)
Cemetery Lots and Burial Fees	500	1,700	1,200
Interest Earnings	6,000	2,918	(3,082)
Land Division Fees	1,500	1,295	(205)
Zoning Fees	1,000	840	(160)
Miscellaneous and Reimbursements	<u>500</u>	<u>1,966</u>	<u>1,466</u>
Total Revenue	<u>\$ 146,976</u>	<u>\$ 151,179</u>	<u>\$ 4,203</u>
EXPENDITURES			
Supervisor - Salary	\$ 4,800	\$ 4,800	\$ 0
Clerk - Salary	6,600	6,600	0
Treasurer - Salary	8,495	8,495	0
Deputy Treasurer/Clerk	500	0	(500)
Sexton - Salary	900	900	0
Trustees	1,800	1,800	0
Assessing Services	8,500	8,058	(442)
Board of Review	1,100	865	(235)
Printing and Publishing	1,000	387	(613)
Telephone	800	422	(378)
Elections	0	254	254
Township Drains	3,100	3,015	(85)
Highways, Roads, and Bridges	40,105	37,174	(2,931)
Cemeteries	9,000	7,722	(1,278)
Fire Protection	23,800	23,778	(22)
Libraries	300	300	0
Township Hall Expense	3,000	2,524	(476)
Audit and Legal Fees	500	300	(200)
Insurance and Bonds	5,900	5,707	(193)
Miscellaneous-Domestic Harmony	250	250	0
Dues Expense	700	614	(86)
Landfill Expense	12,000	11,773	(227)
Payroll Tax Expense	4,000	3,986	(14)
Tax Roll Expense	2,000	2,041	41
Capital Outlay	5,000	0	(5,000)
Transportation and Meetings	2,000	711	(1,289)
Office Supplies	3,000	2,606	(394)
Addison Hospital Authority	16,100	10,496	(5,604)
Miscellaneous Expense	2,100	822	(1,278)
Zoning	5,600	1,785	(3,815)
Land Division Administration	<u>1,000</u>	<u>291</u>	<u>(709)</u>
Total Expenditures	<u>\$ 173,950</u>	<u>\$ 148,476</u>	<u>\$ (25,474)</u>
EXCESS OF REVENUE OVER			
(UNDER) EXPENDITURES	\$ (26,974)	\$ 2,703	\$ 29,677
FUND BALANCE - April 1, 2003	<u>239,093</u>	<u>239,093</u>	<u>0</u>
FUND BALANCE - March 31, 2004	<u>\$ 212,119</u>	<u>\$ 241,796</u>	<u>\$ 29,677</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Township of Wheatland comprises a population of approximately 1,258 residents and had a 2003 total taxable value of approximately \$28,429,640. It is governed by a board consisting of 5 members with a supervisor as its head. As required by generally accepted accounting principles, these financial statements present all fund types and account groups that are controlled by or dependent on the Township Board of Trustees.

Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds and account groups of the Township of Wheatland are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Group

General Fixed Assets Group of Accounts - This account group presents fixed assets of the Township utilized in its general operations.

Total columns on the combined statements are captioned "memo only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data, therefore, it is not comparable to a consolidation.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources.

The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

TOWNSHIP OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property taxes, State revenue sharing, and interest are susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts become measurable and available when cash is received by the Township and are recognized as revenue at that time.

Budgetary Data

The Township adopted a budget for the General Fund on the modified accrual basis. Once approved, the Township Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year-end. The amended budget is presented in these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Liabilities, and Fund Equity

Cash and investments are reported at cost.

Fixed assets are accounted for at cost, or if the cost is not practicably determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group and are not depreciated. The Township has elected not to report public domain or infrastructure fixed assets that are immovable and of value only to the Township government.

Revenue, Expenditures, and Expenses

Property tax revenue is normally recognized in the amount of taxes levied.

2. CASH AND INVESTMENTS

Following are the components of the Township's bank deposits at March 31, 2004:

Checking Accounts	\$ 63,012
Savings Accounts	23,549
Certificates of Deposit	<u>178,700</u>
Total	<u>\$ 265,261</u>

The carrying amount of the Township's bank deposits was \$265,261 and the bank's balance was \$276,208 at March 31, 2004. Of the total bank balance, \$226,830 was covered by federal depository insurance and \$49,378 was uninsured.

TOWNSHIP OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

2. CASH AND INVESTMENTS (continued)

State statutes authorize the Township to invest funds in one or more of the following: (a) bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of a Federally insured financial institution which maintains a principal office or branch office in the state of Michigan; (c) commercial paper rated within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; (d) United States government or Federal agency obligation repurchase agreements; (e) banker's acceptance of United States banks; (f) obligations of the state of Michigan or any of its political subdivisions that are rated as investment grade by not less than one standard rating service; (g) mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles which are legal for investment by a public corporation; (h) obligations described above if purchased through an interlocal agreement under the Urban Cooperations Act of 1967; (i) investment pools organized under the Surplus Funds Investment Pool Act, 1982; (j) investment pools organized under the Local Government Investment Pool Act, 1985. As of March 31, 2004, the Township's investments are in accordance with statutory authority.

3. PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2003 was 2.2961 mills, all allocated to General Fund. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the county treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land	\$ 4	\$ 0	\$ 0	\$ 4
Buildings and Improvements	47,784	0	0	47,784
Equipment	<u>10,603</u>	<u>0</u>	<u>0</u>	<u>10,603</u>
	<u>\$ 58,391</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,391</u>

5. UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

TOWNSHIP OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payables balances as of March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Payable</u>	<u>Fund</u>	<u>Interfund Receivable</u>
Current Tax Fund	<u>\$14,248</u>	General Fund	<u>\$14,248</u>

7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), employee injury, and other appropriate coverages. There has been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

TOWNSHIP OF WHEATLAND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2004</u>
ASSETS				
Cash	\$ 0	\$ 620,309	\$ 566,792	\$ 53,517
Due from Other Entities	<u>0</u>	<u>32,245</u>	<u>18,252</u>	<u>13,993</u>
	<u>\$ 0</u>	<u>\$ 652,554</u>	<u>\$ 585,044</u>	<u>\$ 67,510</u>
LIABILITIES				
Due to Other Funds	\$ 0	\$ 45,071	\$ 30,823	\$ 14,248
Due to County	0	299,359	299,359	0
Due to Schools	<u>0</u>	<u>260,896</u>	<u>207,634</u>	<u>53,262</u>
	<u>\$ 0</u>	<u>\$ 605,326</u>	<u>\$ 537,816</u>	<u>\$ 67,510</u>

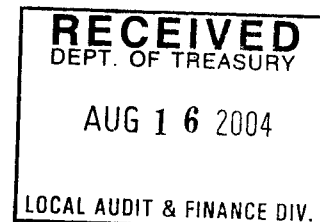
The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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July 23, 2004



To the Supervisor and Members of the
Township Board
Wheatland Township

As a result of our audit of the Township records for the year ended March 31, 2004, numerous problems were found in the tax fund for 2002 and 2003 property tax collections. We have the following recommendations:

1. Night depositories should be used instead of keeping large sums of money at the Township hall or Treasurer's home. Money should be deposited on a daily basis.
2. Cash should never be borrowed from tax deposits and replaced with personal checks.
3. It would be easier to establish a separate bank account to record summer tax collections and disbursements to the County.
4. In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

A Management Discussion and Analysis (MD&A) section providing an Analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the township's activities, including reporting infrastructure assets (roads, bridges, etc.).

The general provisions of GASBS No. 34 must be implemented by Wheatland Township no later than the fiscal year ending 3/31/2005.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company, P.C.

Bailey, Hodshire & Co., P.C.
Certified Public Accountants